



Welfare to Work

Financial Management

A TECHNICAL ASSISTANCE GUIDE



U.S. Department of Labor
Employment and Training Administration
1999

Chapter 1

Introduction

INTRODUCTION

This Welfare to Work (WtW) Financial Management Technical Assistance Guide (TAG) is designed to provide operational financial guidance for the implementation of the provisions of Title IV of the Social Security Act (“the Act”) as amended by the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act and Title V of the Balanced Budget Act of 1997. The Act and the implementing regulations, published as Interim Final regulations on November 18, 1997, provide the requirements applicable to the WtW program. The WtW program focuses on providing transitional assistance needed to move hard-to-employ recipients of Temporary Assistance to Needy Families (TANF) into lasting unsubsidized jobs.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (“the Welfare Reform Act”) reformed the nation’s welfare system by instituting block grant allocations to States. The WtW grants support the effort to move hard-to-employ TANF recipients off welfare and into productive jobs by focusing special assistance on the hardest-to-serve welfare populations. The Welfare Reform Act changed the nature and provision of welfare benefits. TANF replaced the former Aid to Families with Dependent Children (AFDC) program. The new Federal welfare policy authorizes States to take a more proactive approach to reach their primary goal of assisting individuals to move from welfare to work. States and local communities utilize the WtW block grants to create new employment opportunities for the hardest-to-employ recipients of TANF.

Seventy-five percent (75%) of the WtW block grants is allocated to States as formula grants. The remaining 25% of the WtW funds is awarded to local communities and community-based organizations (CBOs) as competitive grants. Formula and competitive grant recipients are allowed to expend grant funds for the following purposes, as referenced in 20 Code of Federal Regulations (CFR) 645.220, the WtW interim rule:

- Job readiness, placement, and post-employment services financed through job vouchers or through contracts with public or private providers
- Job creation through public or private sector employment wage subsidies
- On-the-job training (OJT)
- Job retention or support services if such services are not otherwise available
- Community service or work experience
- Job retention and support services.

The formula grants are based on a State's percentage of adult TANF recipients and low-income residents. Recipients of competitive grants may include the following: Private Industry Councils (PICs, or Workforce Investment Boards if a State has transitioned under the Workforce Investment Act (WIA)), local governments, and private entities. However, prior to a grant award, private organizations (such as community development corporations, CBOs, and community action agencies) were required to submit evidence of consultation by means of a signed certification by both the operating entity and either the appropriate PIC(s) or political subdivision(s) that planned program activities were consistent with the WtW efforts of the local government entity (see Federal Register notice of January 26, 1999, Section IV, the Round III Solicitation for Competitive Grants notice).

Formula and competitive grant recipients are required to spend, at minimum, 70% of their funding to assist TANF recipients who will have the most difficulty securing lasting employment. As specified in 20 CFR 645.212, eligibles under the 70% provisions must have two of three labor market deficiencies, be long-term welfare recipients, or face termination of benefits within 12 months, or who are noncustodial parents of minors. (The U.S. Department of Labor Employment and Training Administration (ETA), via Training and Employment Guidance Letter 6-98, clarified requirements concerning eligibility criteria by requiring "that the individual to be served, whether the custodial or non-custodial parent, be the one who meets the first part of the eligibility requirements.") Labor market deficiencies are defined as the lack of a high school diploma or general equivalency diploma (GED) and low math or reading skills, a poor work history, or the need of substance abuse treatment for employment.

No more than 30% of grant funds may be used to assist recent TANF recipients and noncustodial parents who possess characteristics associated with possible long-term welfare dependence. Characteristics associated with contributing to welfare dependence are: teenage pregnancy, high school dropout, poor work history, or others the State/operating entity may designate.

The authorizing legislation for the WtW program emphasizes the "work-first" nature of the program, consistent with the objective of making assistance a transitional phase to lasting employment. Vocational skills training is authorized only after an individual is placed in a permanent job or transitional employment such as work experience, community service, a subsidized job, or an on-the-job training (OJT) program. The TANF Final Rule (45 CFR Part 260) contains the overview of the work requirements, minimum work participation rates, and monetary penalties under TANF that States will be subject to if they do not meet participation targets.

The 5-year or 60-month TANF time limit does not affect a recipient's eligibility to participate in WtW grant funded programs. The TANF rules state in general that, if an individual receives WtW cash assistance, that benefit counts against the five-year limit on Federal TANF assistance; if the individual receives another type of WtW benefit that is not considered cash assistance, the benefit does not count against the limit on Federal TANF assistance. TANF recipients who have reached their 5-year limit are still eligible to receive assistance from a WtW grant funded program. In conjunction with Section 260.32 of the TANF Final Rule, ETA is preparing to issue guidance to WtW grantees on "WtW cash assistance" and how this term applies to the WtW program.

The Act and the regulations contain the “rules” for administering WtW. The regulations were developed and published for public comment within the “public rule-making” requirements of the Federal government. The TAG is intended to help promote common understanding and consistent application of the guiding financial management provisions of the Act, the regulations, and the application of the Office of Management and Budget (OMB) circulars to program management. It also provides examples of the impact of the regulations on program operations. Throughout the TAG, examples provide clarification and guidance as well as suggested practices that may not be required by the Act or the regulations. These practices illustrate how some States and other program operators may wish to address the administrative requirements; however, there are no implied requirements for using these practices.

In August of 1998, the WIA was signed into law to supersede the Job Training Partnership Act (JTPA). Although the references to JTPA remain relevant to the issues discussed in the WtW TAG, it is necessary to take into consideration that JTPA is currently being closed out and replaced by the WIA. The official termination date of JTPA programs is June 30, 2000.

BACKGROUND

Why the TAG Was Developed

The Act, the regulations, and the OMB circulars contain specific provisions that guide the planning, design, operation, documentation, and assessment of a sound financial management system. However, much of the administrative guidance may be new to competitive grantees or other administrative entities and thus requires some further elaboration. This TAG amplifies the Act and the accompanying regulations, clarifies expectations, addresses issues commonly occurring in the field, identifies operational problems and possible solutions, models best practices, and provides suggestions and techniques to ensure compliance. It is intended to help those responsible for financial management to carry out their responsibilities effectively.

How the TAG Was Developed

Financial management under government grants is a highly technical and specialized field. In 1993 and 1994, the ETA assembled a workgroup comprised of a hand-picked team of practitioners in the JTPA system, including State and Service Delivery Area (SDA) JTPA staff, as well as ETA regional and national office staff. The disciplines represented in the workgroup included expertise in the administrative and financial areas as well as in the program and SDAs. Through the efforts of this team, a JTPA Financial Management TAG was developed and published in final form in January 1995.

That TAG was widely disseminated and proved to be an invaluable tool for program operators in managing the complexities of the JTPA program. The ETA wished to make a similar document available to the operators of the WtW program. Using the JTPA TAG as a model, this TAG provides similar direction and guidance for the implementation of a sound financial system under WtW. Some Chapters, such as Chapter 14, *Property Management*, have been reprinted almost in their entirety, but updated to reflect the WtW rules and dates. Many other chapters,

such as Chapter 12, *Program Income*, have been extensively modified to reflect the imposition of the Uniform Administrative Requirements (29 CFR Parts 97 and 95) and other OMB circulars. In addition, there are chapters that are new to the TAG, such as Chapter 11, *Matching and In-Kind Contributions*, that reflect requirements specific to the WtW program.

INTENDED AUDIENCE FOR THE GUIDE

The WtW Financial Management TAG targets State, local, and competitive grant staff responsible for ensuring that the WtW programs not only provide the necessary program services, but are also properly managed and fiscally sound. While financial management personnel may be the primary and most frequent users of this TAG, program administrators and staff are also part of the intended audience. Any individual within the WtW system who is responsible for some aspect of financial management, fiscal accountability, program accounting, or program management, or who is new to the program, is likely to need and use this resource.

Cautions:

- # Special care has been taken to differentiate for the reader what the Act requires, what the regulations require, and what is simply good advice based on experience and sound judgment. Wherever the TAG is quoting the Act or the regulations, citations are provided immediately following the reference.
- # This TAG contains a comprehensive glossary in Appendix C. In some instances, there may be more than one definition of a single term included. If there is more than a single definition, the term has been defined in more than one of the above sources, and the definitions may differ slightly. Grantees are cautioned to use the appropriate definition for their organizational type. In addition, there are terms that may have similar definitions; but be named differently, i.e., grant and award. If in any instance the definitions or their use in this TAG appear to conflict with the Act or Federal regulations, such conflict must be resolved in favor of the Act and the regulations, which take ultimate precedence.
- # It is impossible to anticipate every eventuality that might occur in administering the WtW program. The examples are provided to support explanations in the TAG but are sufficiently generic to assist decision-makers in a variety of circumstances. Still, at best, these examples are merely illustrations of a principle or a method of approaching a particular legislative or regulatory provision.

HOW THE TAG IS ORGANIZED

This Financial Management TAG is organized as follows:

Chapters 1 through 17 address the administrative issues applicable to all WtW programs. In addition, there are six appendices to provide added resources and information on the proper financial management of the WtW program. An overview of what is contained in each chapter and appendix is given in the following paragraphs:

Chapter 1—Introduction describes the WtW program, the purpose of the TAG, the background leading to its development, and the intended audience. This chapter provides the user a guide to how the TAG is organized and how it may be used.

Chapter 2—Allocations and Fund Distribution provides guidance on the various formula funding mechanisms available to obtain funds under the WtW program.

Chapter 3—Administrative and Financial Systems describes the elements of an acceptable financial management system as specified in the Uniform Administrative Requirements. These requirements provide the framework to effectively implement and manage WtW grant funds.

Chapter 4—Generally Accepted Accounting Principles (GAAP) discusses GAAP principles as they apply to governments and private nonprofit organizations. It defines GAAP; discusses the link to the OMB circular requirements; and discusses the basic concepts, principles, hierarchy of authority that governs financial systems, and financial reporting requirements.

Chapter 5—Cost Principles and Allowable Costs provides guidance to WtW recipients and subrecipients on the allowable cost principles embodied in OMB Circulars A-21, A-87, and A-122, and the Federal Acquisition Regulations (FAR) at 48 CFR Part 31. It also contains a matrix of allowable and unallowable costs as described in the circulars.

Chapter 6—Cost Allocation and Cost Pooling provides guidance on cost allocation principles, methods of allocating costs, the use of cost pools, the development of cost allocation plans (CAPs), and allocation of personal services costs to ensure that WtW costs are properly and equitably distributed to the benefitting cost objectives.

Chapter 7—Cost Classification provides guidance on proper classification of costs to WtW cost categories and program activities. It also contains a discussion of the requirement for expenditure of funds against the participant eligibility categories listed in the regulations at 20 CFR 645.212 and 213, and a discussion of the administrative cost limitation.

Chapter 8—Financial Management Reporting provides instructions for completing the required WtW financial reports, guidance on subrecipient reporting, a review of participant reporting issues, and a discussion of the performance bonus criteria applicable to WtW formula grants. Instructions for the completion of the WtW financial reports (Quarterly Financial Status Reports (QFSRs)) are also provided.

Chapter 9—Participant Reporting is currently reserved. This chapter will be issued with the completion of participant reporting system requirements in coordination with U.S. Department of Health and Human Services (DHHS)/TANF requirements.

Chapter 10—Cash Management discusses the requirements for cash management contained in the Uniform Administrative Requirements and provides guidance on efficient and effective cash management for grantees and subrecipients. A summary of cash management techniques is also included as an attachment to the chapter.

Chapter 11—Matching and In-Kind Contributions discusses the requirements for matching funds, including a discussion of cash contributions and in-kind costs.

Chapter 12—Program Income discusses what is and is not included in program income, how to account for it, and what requirements apply to its use.

Chapter 13—Procurement provides a discussion of basic procurement requirements applicable to WtW grantees and subgrantees. It also provides guidance on required contract clauses and assurances and a discussion of fixed-price, performance-based contracts.

Chapter 14—Property Management addresses the property management requirements of the WtW program and the relevant OMB circulars.

Chapter 15—Agreement Closeouts explains each recipient's responsibilities and provides guiding principles for developing closeout procedures at all levels. It also includes the closeout documents currently used by the DOL and instructions for their completion.

Chapter 16—Records Retention provides guidance to grantees and subgrantees on how to properly maintain financial and programmatic records that are accessible to authorized Federal and State staff and subject to monitoring, reporting, and audit evaluations.

Chapter 17—Audit and Audit Resolution outlines WtW audit requirements, resolutions of audit findings, administrative appeals, and the disposition of disallowed costs.

Appendix A—Cross Reference of Administrative Requirements provides a chart indicating administrative requirements by type of organization.

Appendix B—OMB Circulars, Related Regulations, and Internet Resources includes a listing of all the applicable circulars and the codification of circulars by DOL. It also includes a listing of resources available through the Internet to obtain the circulars and other financial management information.

Appendix C—Glossary defines financial terms applicable to WtW programs drawn from the regulations and applicable circulars and presents a list of acronyms used in the document.

Appendix D—Alternative Time Distribution Systems guides grantees through alternative time allocation methods and statistical sampling standards.

Appendix E—Program Activities, Cost Classification, and Chart of Accounts provides a list of allowable program activities, classification, and reporting requirements. It also includes a sample chart of accounts to assist grantees and subgrantees in the proper accounting for WtW expenditures.

Appendix F—Subrecipient and Vendor Distinctions provides assistance in distinguishing subrecipients from vendors.

HOW TO USE THE TAG

Readers are advised to use the TAG as a reference and technical assistance tool to ensure sound financial management and consistency in program and fiscal accountability. Users may want to familiarize themselves with the entire TAG in order to understand what it contains and where information may be found.

Once again, users are cautioned that this TAG is for guidance in implementing the requirements of the WtW. It does not replace or supplant the Act or the regulations.

The TAG has been three-hole punched to allow maximum flexibility in its use, so that pages may be removed or inserted as necessary or desired. As policy or programmatic guidance changes, this document will also be amended as needed to be consistent with those policy and program changes.

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